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# ANNUAL REPORT

**FISCAL 1978**



**DIVISION OF  
WORKERS'  
COMPENSATION**



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# АНИМА ТРОЯ

# ANNUAL REPORT



## P R E F A C E

The Division annually publishes a report of its operations for the preceding fiscal year. This will be the 64th report concerning the workers' compensation system in Montana.

Many changes have taken place in recent years in the administration of the Workers' Compensation Act. The complexity of the system has increased due to the vast expansion in coverage requirements as well as substantial changes in the procedural and substantive law.

This report is intended to set forth in detail the statistical information compiled annually by the Division regarding industrial injuries suffered by the employees of this state. Also, the report includes detailed financial information concerning the Division's management, as well as the operations of the State Compensation Insurance Fund which is the state operated workers' compensation insurance carrier administered by the Division.

The Division continues to review both the administration of the delivery procedure and the substantive law in this state. Efforts are made to improve the payment process, and the Division will be working with the upcoming legislature to review problem areas that have been found to exist in the law in order to better serve the employers and employees of Montana.

We hope that this publication provides helpful information to all those interested in a viable workers' compensation system.

For further information concerning the Division's functions and operations, please contact the Division of Workers' Compensation, 815 Front Street, Helena, Montana 59601.

NORMAN H. GROSFIELD  
Division Administrator

## SECTION I

The Division was created to administer several laws relating to the industrial operations in this state. These include the administration of industrial safety and health laws, as well as the payment of benefits to workers injured in the course and scope of employment.

Substantial changes have taken place in the basic statutory structure of the various Acts under which the Division operates. Recently, the legislature gave one additional function to the Division -- the Crime Victims Compensation Act, the administration of which has been in the implementing process during the recent fiscal year. The laws set forth below are currently under the administrative jurisdiction of the Division, with reference made to the title and chapter numbers in the Revised Codes of Montana, 1947:

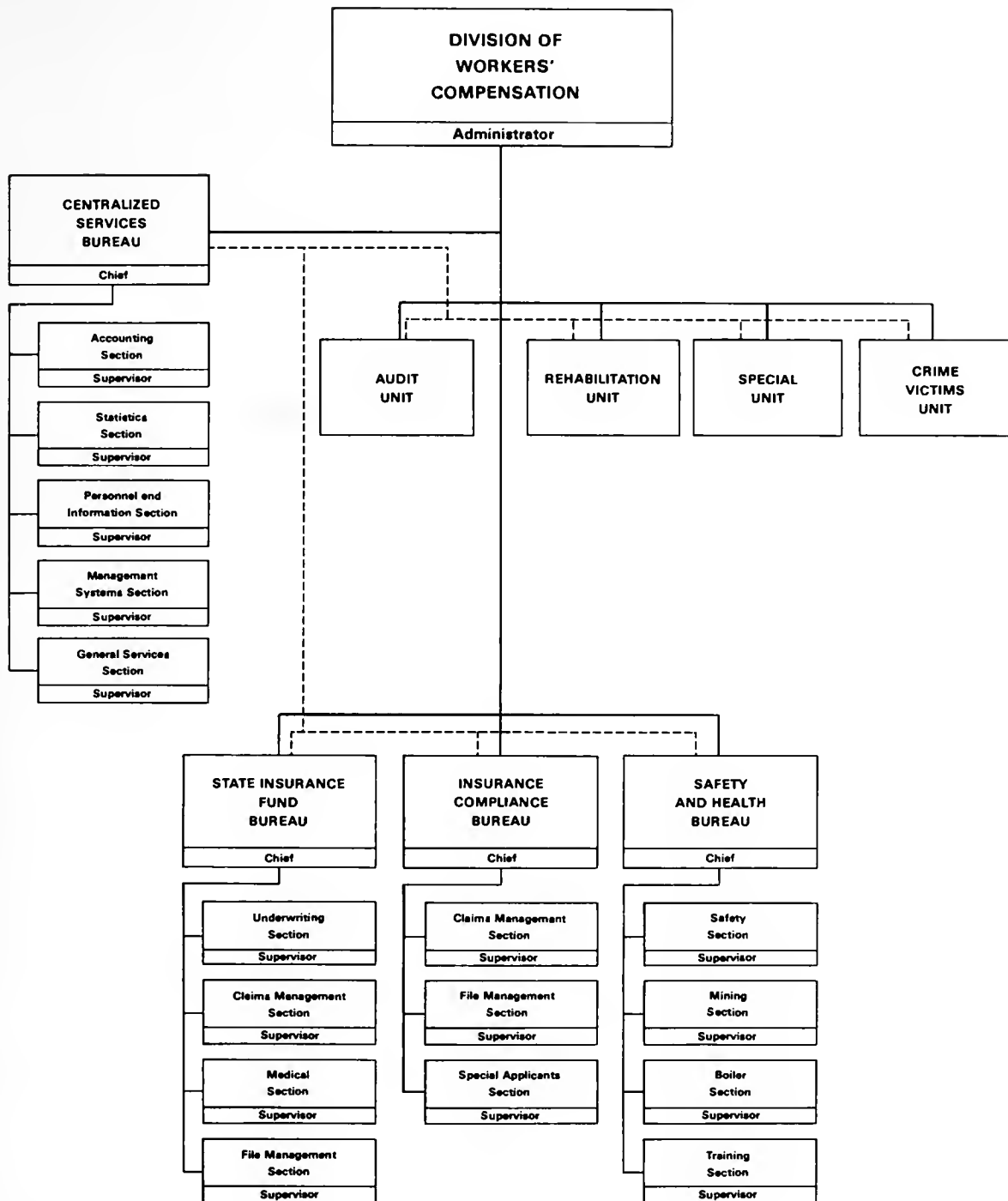
### Industrial Safety and Health

1. Montana Safety Act, Title 41, Chapter 17
2. Metal and Nonmetallic Mine Safety Law, Title 50, Chapter 1
3. Montana Coal Mining Code, Title 50, Chapter 4
4. Boiler Inspection and Engineers Licensing Law, Title 69, Chapter 15
5. Hoisting and Crane Engineers Licensing Law, Title 69, Chapter 16

### Compensation Systems

1. Volunteer Firemen's Compensation Act, Title 11, Chapter 20
2. Silicosis Benefit Law, Title 71, Chapter 10
3. Crime Victims Compensation Act, Title 71, Chapter 26
4. Workers' Compensation Act, Title 92, Chapter 11
5. Occupational Disease Act, Title 92, Chapter 13
6. Rehabilitation of Injured Workers, Title 92, Chapter 14

## ORGANIZATION CHART



### PRINCIPAL OPERATIONAL PERSONNEL

Norman H. Grosfield, Administrator

James J. Murphy, Assistant Administrator

Margaret Condon, Executive Secretary

William R. Palmer, Chief, Centralized Services Bureau

A. G. Pillen, Chief, State Fund Insurance Bureau

J. E. Jacobson, Chief, Insurance Compliance Bureau

Max Salazar, Chief, Safety and Health Bureau

## MAJOR ACTIVITIES DURING FISCAL YEAR 1977-1978

### Administrative Program

The Crime Victims Compensation Act was implemented, which included establishing procedures and rules, designing forms, publicizing the availability of the benefits and awarding compensation and medical benefits to innocent victims.

Procedures were also implemented to enforce the Uninsured Employers Fund Act, which included investigating uninsured employers and levying appropriate civil penalties.

Program personnel participated in small business clinics and met with over 1,200 Montana employers in 14 Montana cities. The Annual Claims Seminar was conducted for representatives of the insurance industry, attorneys, physicians, and other interested parties. Additionally, over 1,400 Montana employers were contacted to explain the OSHA federal recordkeeping requirements.

Our Rehabilitation Unit served 478 injured workers, and personnel of the Audit Unit reviewed 1,085 employer accounts.

Division personnel hosted the Second Annual American Association of State Compensation Insurance Funds International Workshop in May. Seventy-eight delegates participated, representing thirteen states and three Canadian provinces.

### State Insurance Fund Program

As of June 30, 1978, 18,735 employers received coverage through the State Fund, which is approximately a 10% increase over the previous year.

A premium volume discount system was implemented which resulted in a direct saving to policyholders of about \$900,000. Premium rates were reduced, resulting in direct savings to policyholders of about 2 million dollars. The experience rating system allowed a savings of \$1,751,590 to 2,354 firms with good safety records, and generated additional premium of \$1,256,358 from 687 firms with poor safety records. Compensation and medical benefits paid increased again this year and over 13 million dollars was distributed to injured workers.

### Insurance Compliance Program

Personnel in this program processed over 20,000 new accidents reported to insurance carriers and self-insurers, and reviewed and monitored the payment of benefits to injured workers resulting from the submission of 3,600 new claims.

### Safety and Health Program

Activities under this program included 972 safety and health inspections; 164 training courses in first aid, safety, cardiopulmonary resuscitation, and defensive driving; 871 boiler inspections and investigations; and 433 inspections and investigations in the mining industry.

## COMPARATIVE SUMMARY OF PLANS I, II, AND III

The Montana Workers' Compensation and Occupational Disease Acts allow employers to obtain the required insurance coverage by one of three methods. These methods include: (1) self-insurance under Compensation Plan No. I, where firms with proven financial ability pay directly to the injured workers; (2) coverage with a private insurance company licensed to write workers' compensation insurance in Montana, known as Compensation Plan No. II; and (3) coverage with the State Compensation Insurance Fund, a state operated insurance program, known as Compensation Plan No. III.

The following table compares the overall activity of the three plans for three fiscal years.

<u>Plan I - Self-Insurance</u>	<u>1975 - 1976</u>	<u>1976 - 1977</u>	<u>1977 - 1978</u>
Number of employers enrolled	70	67	65
*Gross annual payroll	\$240,177,069	\$273,665,449	\$299,878,617
Number of work injuries reported	3,039	3,434	3,430
Number of claims filed	652	819	943
Occupational disease cases reported per federal standards	-	-	17
Compensation benefits paid	\$1,838,559	\$2,254,506	\$2,432,744
Medical & burial benefits paid	\$809,145	\$1,051,615	\$1,119,581
Subsequent injury fund payments	\$6,000	\$4,000	0
Subsequent injury assessments	\$18,404	\$46,773	\$44,325
<u>Plan II - Private Carriers</u>	<u>1975 - 1976</u>	<u>1976 - 1977</u>	<u>1977 - 1978</u>
Number of employers enrolled	10,336	10,549	9,824
*Gross annual premium	\$19,529,918	\$25,842,103	\$27,371,714
Number of work injuries reported	15,621	16,296	15,053
Number of claims filed	2,179	2,335	2,651
Occupational disease cases reported per federal standards	-	-	105
Compensation benefits paid	\$5,128,307	\$6,827,621	\$8,094,026
Medical & burial benefits paid	\$2,650,169	\$3,364,555	\$3,789,400
Subsequent injury fund payments	\$12,000	\$22,000	\$4,500
Subsequent injury assessments	\$136,265	\$132,925	\$145,027
<u>Plan III - State Fund</u>	<u>1975 - 1976</u>	<u>1976 - 1977</u>	<u>1977 - 1978</u>
Number of employers enrolled	16,420	16,935	18,735
Gross annual premium	\$18,329,385	\$19,455,992	\$22,185,099
Number of work injuries reported	10,755	12,004	13,577
Number of claims filed	1,662	1,921	2,234
Occupational disease cases reported per federal standards	-	-	65
Compensation benefits paid	\$5,214,048	\$6,242,303	\$9,062,434
Medical & burial benefits paid	\$2,887,997	\$3,218,933	\$4,062,421
Subsequent injury fund payments	\$19,000	\$21,000	\$7,000
Subsequent injury assessments	\$112,983	\$130,351	\$123,660

\*Figures shown on calendar year basis.

## SECTION II

Financial statements in this section show the activity and the condition of Division funds for the fiscal year ending June 30, 1978. The section includes five types of statements, i.e., a statement of appropriations, a balance sheet, a statement of changes in fund balance, a statement of receipts, and a program cost statement. These statements report the financial activity for each fund and accounting entity within the fund administered by the Division. However, because of the size of the State Compensation Insurance Fund, the following section shows the financial activity of this entity.

The state's accounting system provides nine funds, of which the Division uses five. The General Fund provides moneys to cover costs of the silicosis and social security offset benefit programs. The Earmarked Revenue Fund accounts for moneys generated by the Division, chiefly from assessments levied against insurers and used to defray the cost of operations. Included in this fund, for the first time, was the Crime Victims Compensation Account, which is used to pay benefits to innocent victims of crime. Receipts deposited in this account come chiefly from a portion of the moving traffic violation fines collected throughout the State of Montana. The Federal and Private Revenue Fund accounts for operational moneys received from the federal government. The Division has two sources of revenue in this area, one from an OSHA statistics grant with the Bureau of Labor Statistics, and the other from a coal mine safety grant with the U. S. Department of Labor, Mine Safety and Health Administration. The Federal and Private Grant Clearance Fund accounts for receipts until proper disposition is determined. The Agency Fund consists of those moneys deposited with the Division as custodian or agent. There were changes in the accounts within this fund during fiscal 1978: the incorporation of the Occupational Disease Account into the State Compensation Insurance Fund, the movement of the Volunteer Firemen Account from the Earmarked Revenue Fund to the Agency Fund, and the establishment of the Uninsured Employers Account with the Agency Fund.

The Statement of Appropriation Activity summarizes the funds appropriated for the fiscal year ending June 30, 1978, and the amounts expended or accrued from each appropriation.

STATEMENT OF APPROPRIATION ACTIVITY  
FISCAL YEAR ENDING JUNE 30, 1978

<u>Fund &amp; Account</u>	<u>Amount Ap- propriated</u>	<u>Expended or Accrued</u>		<u>Balance</u>
		<u>Operation</u>	<u>Benefits</u>	
<u>General Fund</u>	\$1,013,437	\$ 9,196	\$952,866	\$ 51,375
<u>Earmarked Revenue Fund</u>				
DWC Administration	2,928,875	2,923,604	0	5,271
DWC Crime Victims	390,000	15,701	2,643	371,656*
<u>Federal &amp; Private Revenue Fund</u>				
DWC Coal Mine Safety	25,450	22,086	0	3,364
OSHA Statistical Survey	<u>50,617</u>	<u>44,844</u>	<u>0</u>	<u>5,773</u>
TOTALS	<u>\$4,408,379</u>	<u>\$3,015,431</u>	<u>\$955,509</u>	<u>\$437,439</u>

\*The crime victims appropriation was authorized for the 1977-79 biennium, therefore, this amount of spending authority is carried forward into fiscal 1979.

# BALANCE SHEET - JUNE 30, 1978

		Earmarked Revenue Fund	
	General Fund	Division Administration	Crime Victims Compensation
<b>ASSETS</b>			
Revolving Fund Cash	\$1,000	\$ 2,000	\$ 0
Cash in Treasury	0	30,956	62,060
Accounts Receivable	0	0	140,000
Inter-Entity Loans Receivable	0	0	0
Federal Securities - Book Value	0	0	0
Other Investments - Par Value	0	0	0
Unamortized Premiums	0	0	0
Interest Purchased	0	0	0
Short Term Investment Pool	0	0	0
STIP Interest Purchased	0	0	0
Property Held in Trust	0	16,300	0
Deferred Cost on Bond Exchanges	0	0	0
Encumbered Appropriation	3,516	0	0
<b>TOTAL ASSETS</b>	<b>\$4,516</b>	<b>\$ 49,256</b>	<b>\$202,060</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Support Expenditures	4,576	279,753	307
Unaccumulated Bond Discounts	0	0	0
Stale Dated Warrants	0	0	0
Uncleared Collections	0	0	0
Bonds Held in Trust	0	0	0
<b>FUND BALANCE</b>	<b>0</b>	<b>(230,497)</b>	<b>201,753</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$4,516</b>	<b>\$ 49,256</b>	<b>\$202,060</b>

Federal & Private  
Revenue Fund

Agency Fund

Coal Mine Safety	OSHA Statis- tics	Federal & Private Grant Clearance Fund	Insurance Liquida- tion	Volunteer Firemen	Subse- quent Injury	Uninsured Employers
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2,957	10,840	2,030	0	13,700	290	3,276
0	0	247	0	0	0	42,095
0	0	0	0	180,000	35,000	0
0	0	0	0	1,630,000	1,681,000	0
0	0	0	0	2,693	11	0
0	0	0	0	37,776	48	0
0	0	0	0	0	97,715	72,343
0	0	0	0	0	0	91
0	0	0	8,442,000	0	0	0
0	0	0	0	0	0	0
0	0	0	0	1,744	0	0
0	0	0	0	0	0	0
<u>\$2,957</u>	<u>\$10,840</u>	<u>\$2,277</u>	<u>\$8,442,000</u>	<u>\$1,865,913</u>	<u>\$1,814,064</u>	<u>\$117,805</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,802	\$ 0	\$ 0
264	202	0	0	0	0	0
0	0	0	0	5,187	6,210	0
0	0	0	0	0	0	0
0	0	2,277	0	0	0	0
0	0	0	8,442,000	0	0	0
<u>2,693</u>	<u>10,638</u>	<u>0</u>	<u>0</u>	<u>1,845,924</u>	<u>1,807,854</u>	<u>117,805</u>
<u>\$2,957</u>	<u>\$10,840</u>	<u>\$2,277</u>	<u>\$8,442,000</u>	<u>\$1,865,913</u>	<u>\$1,814,064</u>	<u>\$117,805</u>

STATEMENT OF CHANGES IN FUND BALANCE  
FISCAL YEAR ENDING JUNE 30, 1978

The Division administers various restricted accounting entities within each fund. Generally, the names of the accounts specify the purpose for which the account is used.		General Fund
		<hr/>
	FUND BALANCE, JULY 1, 1977	\$ 0
	<u>ADDITIONS</u>	
This statement illustrates the year's receipt and disbursement activity upon the beginning fund balance for each of the accounting entities.	Legislative Appropriations	\$1,013,437
	Receipts:	
	Licenses & Permits	0
	Service Fees	0
	Fines	0
	Income Collections & Transfers	0
	Investment Earnings	0
	Fiduciary & Trust	0
	Grants	<hr/> 0
Two new accounts established by the 45th Legislature appear for the first time in this report.	TOTAL ADDITIONS AND FUND BALANCE	<hr/> \$1,013,437
Senate Bill 166 established the Uninsured Employers Account which will eventually provide benefits to injured workers whose employers are uninsured. House Bill 357 established the Crime Victims Compensation Account which provides benefits to certain innocent victims of crime.	<u>DEDUCTIONS</u>	
	Support Expenditures	\$ 9,196
	Local Assistance Expenditures	0
	Withdrawals	0
	Benefits	952,866
	Reversions	<hr/> 51,375*
	TOTAL DEDUCTIONS	<hr/> \$1,013,437
	<u>PRIOR YEAR ADJUSTMENTS</u>	
	Revenue	\$ 0
	Expenditures	<hr/> 0
	TOTAL ADJUSTMENTS	<hr/> \$ 0
	FUND BALANCE, JUNE 30, 1978	<hr/> <hr/> \$ 0

\*Expenses pertaining to the fiscal year that were not accrued at year end may be paid from the reversions.

Earmarked Revenue Fund		Federal & Private Revenue Fund		Agency Fund		
Division Adminis- tration	Crime Victims Compen- sation	Coal Mine Safety	OSHA Statis- tics	Volunteer Firemen	Subse- quent Injury	Uninsured Employers
\$ (104,750)	\$ 0	\$10,451	\$ 3,856	\$1,690,992	\$1,372,534	\$ 0
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
24,466	0	0	0	0	0	0
841,323	0	0	0	0	189,352	0
0	220,097	0	0	0	0	142,233
1,947,868	0	0	0	0	135,160	36,000
0	0	0	0	135,153	127,125	839
0	0	0	0	195,970	0	0
0	0	14,183	53,725	0	0	0
\$2,708,907	\$220,097	\$24,634	\$57,581	\$2,022,115	\$1,824,171	\$ 179,072
\$2,923,604	\$ 15,701	\$22,086	\$44,844	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0	0
0	0	0	0	176,582	15,277	61,267
0	2,643	0	0	0	0	0
0	0	0	0	0	0	0
\$2,923,604	\$ 18,344	\$22,086	\$44,844	\$ 176,582	\$ 15,277	\$ 61,267
\$ (12)	\$ 0	\$ 0	\$ (2,099)	\$ (192)	\$ (1,040)	\$ 0
\$ 15,787	0	(145)	0	(583)	0	0
\$ (15,799)	\$ 0	\$ 145	\$ 2,099	\$ 391	\$ (1,040)	\$ 0
\$ (230,496)	\$201,753	\$ 2,693	\$10,638	\$1,845,924	\$1,807,854	\$ 117,805

This statement identifies, by source of revenue, the receipts collected during the fiscal years ending June 30, 1978, and June 30, 1977. All funds, except the General Fund, receive revenue collected by the Division from outside sources. Disbursements cannot be made until the Division collects and deposits these receipts in the proper fund within the Treasury System.

**COMPARATIVE STATEMENT OF SOURCES OF REVENUE  
FISCAL YEARS ENDING JUNE 30, 1978 AND JUNE 30, 1977**

	<u>1978</u>		<u>1977</u>
Licenses and Permits:			
Engineer Licenses	\$ 24,466		\$ 22,977
Service Fees:			
Administrative	\$ 1,685		\$ 1,969
Plan I Assessments	\$ 218,808		\$ 181,309
Plan II Assessments	810,564		837,656
Total Assessments	<u>\$1,029,372</u>		<u>\$1,018,965</u>
Less Transfers to:			
Workers' Compensation			
Judge	( 113,439)		0*
Commissioner of Labor	( 3,202)		0
Qualification Examinations	589		246
Boiler Inspections	<u>2,231</u>	917,236	<u>20,788</u>
			1,041,968
Investment Earnings:			
U. S. Treasury Obligations	\$ 10,275		\$ 10,275
Industrial Bonds	181,247		125,113
Railroad Equipment Trusts	24,200		24,200
Public Utility Securities	40,409		39,700
Annual Modified Income	( 350)		0
Short Term Investment Pool	<u>7,338</u>	263,119	<u>8,044</u>
			207,332
Reimbursements:		0	2,288
Fines:			
Motor Vehicle	\$ 220,097		0
Civil Penalties	<u>142,233</u>	362,330	0
			0
Firemen's Relief Contributions:		195,970	151,587
Income Collections & Transfers:			
State Compensation			
Insurance Fund	\$2,223,660		
Less Transfers to:			
Workers' Compensation			
Judge	( 34,075)		
Commissioner of Labor	<u>( 5,876)</u>	2,183,709	2,081,467
Workers' Compensation			
Dividends		1,256	
Fatality Assessments		47,500	47,000
Other		2	0
Grants:			
Federal Dept. of Labor	\$ 53,725		\$ 47,512
Federal Dept. of Interior	<u>14,183</u>	<u>67,908</u>	<u>35,000</u>
			82,512
TOTAL REVENUES		<u>\$4,063,496</u>	<u>\$3,637,131</u>

\*In 1977 this item was accounted for as an expenditure rather than a revenue reduction.

This statement provides the detail expenditure activity and the funding sources for each of the Division's four programs for the period ending June 30, 1978.

PROGRAM COST STATEMENT  
FISCAL YEAR ENDING JUNE 30, 1978

<u>COSTS</u>	<u>Adminis- tration Program</u>	<u>State Fund Program</u>	<u>Compli- ance Program</u>	<u>Safety &amp; Health Program</u>
Personal Services:				
Salaries	\$ 655,231	\$463,056	\$ 225,553	\$348,613
Other Compensation	2,050	25	0	650
Employee Benefits	<u>91,426</u>	<u>67,939</u>	<u>32,863</u>	<u>50,451</u>
Sub-Total	<u>\$ 748,707</u>	<u>\$531,020</u>	<u>\$ 258,416</u>	<u>\$399,714</u>
Operating Expenses:				
Contracted Services	\$ 106,914	\$185,501	\$ 36,046	\$ 8,435
Supplies & Materials	13,719	13,991	14,438	11,827
Communications	28,842	56,413	14,478	9,669
Travel	94,294	29,303	907	86,715
Rent	49,219	35,573	18,955	28,272
Utilities	3,295	3,362	2,790	744
Repair & Maintenance	9,291	7,327	2,654	3,554
Other Expenses	<u>65,047</u>	<u>1,739</u>	<u>431</u>	<u>2,312</u>
Sub-Total	<u>\$ 370,621</u>	<u>\$333,209</u>	<u>\$ 90,699</u>	<u>\$151,528</u>
Equipment	<u>\$ 23,845</u>	<u>\$118,214</u>	<u>\$ 30,905</u>	<u>\$ 19,821</u>
Local Assistance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,750</u>	<u>\$ 0</u>
Benefits	<u>\$ 127,529</u>	<u>\$ 0</u>	<u>\$ 843,294</u>	<u>\$ 0</u>
Transfers	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL PROGRAM COSTS	<u><u>\$1,270,702</u></u>	<u><u>\$982,443</u></u>	<u><u>\$1,239,064</u></u>	<u><u>\$571,063</u></u>
<u>SUMMARY OF FUNDING</u>				
General Fund	\$ 109,610	\$ 0	\$ 852,453	\$ 0
Earmarked Revenue Fund	1,039,704	982,443	370,824	548,977
Federal & Private Revenue Fund	44,844	0	0	22,086
Agency Fund	<u>76,544</u>	<u>0</u>	<u>15,787</u>	<u>0</u>
TOTAL FUNDING	<u><u>\$1,270,702</u></u>	<u><u>\$982,443</u></u>	<u><u>\$1,239,064</u></u>	<u><u>\$571,063</u></u>

### SECTION III

The State Compensation Insurance Fund experienced another growth year during 1978. Employers insured with the Fund grew from 16,935 at the end of fiscal 1977, to 18,735 at the end of fiscal 1978, representing a 10% increase. Earned premium went from \$19.4 million in 1977, to \$22.3 million in 1978, or 14.4%. Investment income in fiscal 1978 grew by 20.3% to 4.2 million dollars. The average portfolio yield increased slightly, despite market fluctuations, from 8.29% in fiscal 1977, to 8.46% for the fiscal year ending June 30, 1978.

Assets in the State Fund also increased, with the most significant coming from net investments amounting to 8.8%.

Substantial growth in claims expense was also experienced. Claims expense rose from 9.4 million dollars last year to 13.1 million dollars in fiscal 1978, an increase of 38.7%, while operational expenses only grew by 9%, from \$2,046,958 to \$2,236,228. With the increase in enrollments also came an increase in claims processed of 16.3%, and an increase of accidents reported to the State Fund of 13.1%.

As in past years, the Division employed an independent actuary to review the financial and actuarial soundness of the State Compensation Insurance Fund. His report may be found on page 18 of this section. The actuary was also employed to review payroll and accident experience, recommend rate changes, and advise the Division on claim reserving policies.

This year's financial statements have been reviewed by a certified public accounting firm and its opinion letter appears on page 19. Notes to the financial statement, prepared by the audit firm, appear on pages 20 and 21.

STATE COMPENSATION INSURANCE FUND  
BALANCE SHEET  
June 30, 1978

ASSETS

Cash in Treasury		\$	91,951
Premium Due and Billed			151,092
Notes Receivable			8,062
Unbilled Premium Receivable			6,022,284
Deferred Costs on Bond Exchanges			519,041
Property Held in Trust			1,151,577
Investments:			
Mortgages	\$	439,204	
Federal Securities		5,381,000	
Corporate Bonds		50,262,808	
Commercial Paper		<u>600,000</u>	
Gross Investments			\$56,683,012
Plus: Unamortized Premiums	\$	48,410	
Interest Purchased		<u>1,047</u>	49,457
Less: Unaccumulated Bond Discounts			<u>(850,032)</u>
Net Investments			<u>55,882,437</u>
<u>TOTAL ASSETS</u>			<u>\$63,826,444</u>

LIABILITIES, RESERVES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	66,862	
Inter-Entity Loans Payable		140,000	
Dividends Payable Prior Year		30,431	
Dividends Payable Current Year		6,891,257	
Advance Deposits		3,927,724	
Advance Premium Collections		1,679,897	
Deferred Revenue on Bond Exchanges		49,063	
Accountability for Stale Dated Warrants		<u>8,503</u>	\$12,793,737

CLAIM RESERVES

Compensation Benefits	\$29,511,241	
Medical Benefits	8,881,879	
Medical Only Benefits	<u>950,000</u>	39,343,120

FUND BALANCE

Restricted:		
Provision for Claim Fluctuation	\$	3,159,489
Provision for Medical and Hospital Cost Fluctuation		600,000
Provision for Permanent Total Lifetime Benefits		200,000
Provision for Rate Stabilization		1,130,831
Provision for Catastrophes		2,800,000
Provision for Changes in Security Valuation		2,246,519
Unrestricted:		
Unallocated Premium Due to Change in Accounting Methods		<u>1,552,748</u>
		<u>11,689,587</u>

<u>TOTAL LIABILITIES, RESERVES AND FUND BALANCE</u>		<u>\$63,826,444</u>
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STATE COMPENSATION INSURANCE FUND  
STATEMENT OF OPERATIONS AND CHANGES IN RESERVES  
FOR FISCAL YEAR ENDED JUNE 30, 1978

INCOME

Net Premium Collected		\$21,385,105
Current Year Unbilled Premium	\$ 6,022,284	
Less: Prior Year Unbilled Premium Received in Current Year	<u>(5,153,767)</u>	<u>868,517</u>
Total Earned Premium		\$22,253,622
Interest Earnings on Investments		4,234,006
Other Income		<u>25,883</u>
Total Current Year's Income		\$26,513,511
Prior Year's Adjustments, Net		<u>136,512</u>
Total Income		\$26,650,023

EXPENSES

Claims Expenses:		
Compensation Benefits	\$ 9,062,434	
Medical Benefits	<u>4,062,421</u>	
Total Claims Expenses	<u>\$13,124,855</u>	
Other Expenses:		
Administrative Assessment	\$ 2,100,000	
Bad Debts	136,228	
Subsequent Injury Assessment	123,660	
Rehabilitation Assessment	<u>61,830</u>	
Total Other Expenses	<u>\$ 2,421,718</u>	
Total Expenses		<u>\$15,546,573</u>
RESULTS OF OPERATIONS BEFORE CHANGES IN RESERVES		\$11,103,450
Less: Changes in Claim Reserves		
Compensation Benefits	\$14,517,080	
Medical Benefits	2,141,407	
Medical Only Benefits	200,000	
Unreported Claims	(9,036,331)	
Reopened Claims	(2,675,000)	
Claims Expense	<u>(1,650,000)</u>	<u>3,497,156</u>
<u>RESULTS OF OPERATIONS AFTER CHANGES IN RESERVES</u>		<u>\$ 7,606,294</u>

STATE COMPENSATION INSURANCE FUND  
STATEMENT OF CHANGES TO FUND BALANCE  
FOR FISCAL YEAR ENDED JUNE 30, 1978

RESULTS OF OPERATIONS

\$7,606,294

Adjustment to Prior Year Dividend Payable

13

Changes to Fund Balance

Additions:

Provisions for Claim Fluctuation	\$ 400,970
Provisions for Medical-Hospital	
Cost Fluctuation	100,000
Provisions for Rate Stabilization	133,658
Provisions for Catastrophes	300,000
Provisions for Changes in Security	
Valuation	<u>280,422</u>
 Total Additions	 <u>\$1,215,050</u>

Deductions:

Provisions for Permanent Total	
Lifetime Benefits	\$ 100,000
Unallocated Premium Due to Change	
in Accounting Methods	<u>400,000</u>
 Total Deductions	 <u>\$ 500,000</u>

Less Changes to Fund Balance

715,050

AVAILABLE FOR FISCAL YEAR 1978 DIVIDENDS

\$6,891,257

\* \* \* \* \*

The preceding statements reflect the financial activity and condition of the State Fund for the fiscal year ended June 30, 1978.

The balance sheet shows the financial status of the fund as of June 30, 1978. The changes in claim reserves and fund balance accounts were either calculated or reviewed by an independent actuary. Based on the actuary's recommendation, the previously used reserve accounts for "unreported claims", "reopened claims", and "claims expense" are not shown on the balance sheet as separate items, but are included in the other "claim reserve" accounts shown on the balance sheet.

The statement of operations and changes in reserves shows the fund's financial activity during the year. Based on the independent auditor's recommendation, the changes in reserve accounts were included with the statement of operations, and the fund balance statement is shown separately.

The fund balance statement shows that after the adjustments to the claim reserve and fund balance accounts, the fund will be able to declare a dividend in excess of \$6.8 million. The dividend will be distributed to eligible policyholders sometime during April, 1979.

COATES, HERFURTH & ENGLAND  
ACTUARIES AND CONSULTANTS  
320 CALIFORNIA STREET  
SAN FRANCISCO 94104  
TELEPHONE (415) 433-4440

October 6, 1978

Workers' Compensation Division  
Department of Labor and Industry  
State of Montana  
815 Front Street  
Helena, Montana 59601

Gentlemen:

We have examined the methods and procedures utilized by the Workers' Compensation Division of the Department of Labor and Industry of the State of Montana in the determination of its liabilities for compensation, hospital, medical and other benefits as of the close of its fiscal year June 30, 1978, under Compensation Plan Number 3 as set forth in the Workers' Compensation Act. Our examination included a determination of the appropriateness of the underlying methods and procedures, such review of the basic records as we considered necessary in the circumstances and an analysis of the results so obtained.

The resulting liabilities for benefits to be paid, so determined, may be summarized as follows:

Claim liabilities and reserves for:

Compensation benefits	\$29,511,241
Medical benefits	8,881,879
Medical only benefits	<u>950,000</u>
Total	\$39,343,120

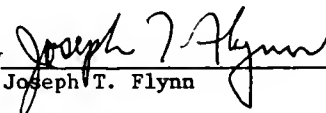
In addition to the above amounts for claim liabilities and reserves, the Fund is maintaining a claim fluctuation reserve of \$3,159,489 and a Rate Stabilization reserve of \$1,130,831, together with combined reserves for catastrophe and medical cost fluctuations of \$3,400,000. A security valuation reserve of \$2,246,519 is also maintained along with a provision of \$200,000 for permanent lifetime benefit.

In our opinion, the above claim liabilities are based upon the benefits provided under the Workers' Compensation Act of the State of Montana. Further, in our opinion, on the basis of the information and procedures referred to above, and upon our assumption that the procedures of the Division are adequate to properly establish and maintain records required for this purpose, such liabilities in the aggregate are reasonable and appropriate as of that date, and that the Fund is in a sound actuarial and financial position.

By following this procedure each year and by reviewing and adjusting the rates each year to reflect changing benefits and experience, in our opinion the Fund can continue to be maintained on a sound actuarial and financial basis.

Sincerely yours,

COATES, HERFURTH & ENGLAND  
Actuaries and Consultants

By   
Joseph T. Flynn

JTF:mw

# **Greteman, Adams & Co.**

Certified Public Accountants

Suite 421

First Federal Building

2929 Third Avenue North

Billings, Montana 59101

Division of Workers' Compensation  
State of Montana:

We have examined the balance sheet of the State Compensation Insurance Fund as of June 30, 1978 and the related statements of operations and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the State of Montana Board of Investments which manages investments for the State Compensation Insurance Fund with a net carrying value of \$55,882,438. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts of investments and investment income, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of the other auditors, the aforementioned financial statements present fairly the financial position of the State Compensation Insurance Fund at June 30, 1978 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Greteman, Adams & Co.*

October 26, 1978

## STATE COMPENSATION INSURANCE FUND

### Notes to Financial Statements

June 30, 1978

#### (1) Summary of Significant Accounting Policies

##### (a) Organization

The State Compensation Insurance Fund is a state operated insurance program administered by the Division of Workers' Compensation. The Fund is carried as an agency account in the Statewide Budgeting and Accounting System.

##### (b) Accounts Receivable

The Fund uses the direct write-off method for expensing uncollectible accounts receivable.

##### (c) Fund Balance

The Fund balance is allocated between restricted and unrestricted balances. The unrestricted balance is available for paying dividends to enrolled firms.

##### (d) Investments

Investments, except mortgages, are presented in the balance sheet at original cost adjusted for discount and premium amortization where applicable. Mortgages are presented in the balance sheet at par value. Premiums and discounts are amortized using the straight-line method over the life of the securities. An average life of eight years is used for amortization of mortgage discounts.

(e) Bond Exchanges

Bond exchanges involve trading one security for another security having the same par value for the purpose of enhancing portfolio content and/or yield. The Board of Investments defers gains and losses resulting from bond exchanges and amortizes such gains and losses over the shorter of either the remaining life of the bonds sold or the bonds purchased for replacement. As shown in the accompanying financial statements, at June 30, 1978, the accumulated unamortized deferred costs on bond exchanges aggregated \$519,041, and deferred revenue on bond exchanges amounted to \$49,063.

(f) Reserves

The Fund employs an independent actuary to determine the adequacy of rates, reserves and restricted fund balance.

(2) Investments

Following is a summary of investments managed by the Board of Investments at June 30, 1978:

	<u>Carrying Value</u>	<u>Market Value</u>
Mortgages	\$ 439,204	\$ 439,204
Federal securities	5,381,000	5,045,779
Corporate bonds	50,262,808	45,985,902
Commercial paper	<u>600,000</u>	<u>600,000</u>
	<u>\$56,683,012</u>	<u>\$52,070,885</u>

## SECTION IV

The Division, through its Centralized Services, Data Processing and Statistical Unit, collects a variety of statistics concerning the nature and cause of industrial work injuries. Accident data is coded from reports submitted by employers and employees, using the standardized coding system adopted by the Occupational Safety and Health Administration. The following tables and graphs present this information on an annual basis. As of September 20, 1978, 32,060 accidents have been reported to the Division as occurring during the fiscal year ending June 30, 1978. These tables show the number of reported accidents, the cause of accidents by major industry, type of disability, nature of injury, part of body affected, accident type, source of injury, age and sex. The first table shows the total injuries reported over the past ten years. The following pages give a detailed analysis of the totals for the current fiscal year. The last two pages in this section show a summary of the data collected and compiled by the Statistical Unit as a cooperating state agency under a federal grant with the Bureau of Labor Statistics. Additional information from past years can be compiled as needed on a request basis, should employers have a need for such information.

A review of the tables presented in this section in relation to individual firms' accident experience can be of value in developing appropriate safety programs or improving existing programs. Currently, the Division participates with the U. S. Department of Labor in a safety consultation program. Division personnel perform on-site consultation inspections to assist employers in understanding the requirements of applicable safety laws, identifying health and safety hazards, and eliminating or controlling these hazards successfully. Upon request, safety personnel perform these inspections at no charge to the employer.

# DEGREE INJURIES AFFECTED THE EMPLOYEE'S ABILITY TO RETURN TO THE NEXT SCHEDULED WORK SHIFT

With the implementation of the Division's new management information system, a new coding format was instituted last year to better identify the effect an injury has on an employee's work attendance. In past years, the accident was coded either as disabling, which meant the injured party was unable to return to the next scheduled work shift, or nondisabling, which meant that no work time was lost beyond the day of the accident. All accident information coded was from the initial report with no further adjustment effort.

The new reporting format allows the Division more flexibility in identifying lost time injuries. "Lost Time Injuries" refers to those cases where the employee had a medical cost associated with the accident and failed to report to the next scheduled work shift. "No Lost Time Injuries" refers to cases where there was a medical cost involved but the employee attended the next work shift. The minor injuries column refers to cases where a minimal medical cost was initially reported and the employee lost no work time, and therefore considered a minor injury under the OSHA standards. Cases where a firm determination could not be made as to medical cost or lost time were classified as "Unknown". The reader should be cautioned against attempts to make valid comparisons between the two reporting formats.

<u>Year</u>	<u>Total Injuries</u>	<u>Disabling</u>	<u>Percent of Total</u>	<u>Nondisabling</u>	<u>Percent of Total</u>	<u>Undetermined</u>	<u>Percent of Total</u>
1968-69	23,195	6,661	28.7	15,826	68.2	708	3.1
1969-70	22,476	6,549	29.1	14,914	66.4	1,013	4.5
1970-71	21,986	5,832	26.5	14,872	67.7	1,282	5.8
1971-72	22,439	6,180	27.5	15,005	66.9	1,254	5.6
1972-73	23,821	6,927	29.1	15,938	66.9	956	4.0
1973-74	27,097	8,394	31.0	17,733	65.4	970	3.6
1974-75	27,120	7,875	29.0	18,312	67.5	933	3.5
1975-76	29,415	8,589	29.2	19,591	66.6	1,235	4.2

<u>Year</u>	<u>Total Injuries</u>	<u>Lost Time Injuries</u>	<u>No Lost Time Injuries</u>	<u>Minor Injuries Not Recordable by OSHA Standards</u>	<u>Fatalities</u>	<u>Unknown</u>
1976-77	31,734	9,760	2,263	15,271	46	4,394
1977-78	32,060	9,668	2,172	16,965	50	3,205

# CAUSE OF FATALITIES WITHIN MAJOR INDUSTRY

The table below provides an overview of work related fatalities in Montana by compensation plan during fiscal year 1978. Montana industries reported 46 work related fatalities last year, compared with 50 this year.

<u>INDUSTRY</u>	<u>PLAN I</u>	<u>PLAN II</u>	<u>PLAN III</u>	<u>TOTAL</u>
<u>AGRICULTURE</u>				
Struck by train	0	0	2	2
Airplane crash	0	0	1	1
Heart attack	0	1	0	1
Froze to death	0	0	1	1
<u>MINING</u>				
Crushed in oil derrick	0	0	1	1
Scraper rolled over	0	0	1	1
Vehicle accident	0	0	1	1
Burns	0	0	1	1
Asbestosis	0	1	0	1
<u>CONSTRUCTION</u>				
Electrocution	0	1	0	1
Struck by falling log	0	0	1	1
Vehicle accident	0	1	1	2
Road roller accident	0	0	1	1
Heart attack	0	0	1	1
Struck by falling crane	0	1	0	1
<u>MANUFACTURING</u>				
Explosion	0	0	1	1
Tractor accident	0	0	1	1
Struck by tree or log	0	2	3	5
Truck accident	2	0	0	2
Sawmill accident	0	1	0	1
Struck against metal post	0	1	0	1
Undetermined	0	0	1	1
<u>TRANSPORTATION</u>				
Electrocution	1	0	0	1
Fall from elevation	0	1	0	1
Airplane crash	0	1	0	1
Truck accident	0	1	1	2
<u>TRADE</u>				
Truck accident	0	0	2	2
Asphyxiation	0	1	1	2
Heart attack	0	1	0	1
<u>FINANCE</u>				
Road grader overturned	0	1	0	1
<u>SERVICES</u>				
Vehicle accident	0	0	1	1
Tour bus accident	0	1	0	1
<u>GOVERNMENT</u>				
Vehicle accident	0	0	2	2
Ditch cave-in	0	0	2	2
Heart attack	0	0	2	2
Gunshot wound	0	0	1	1
Electrocution	0	0	1	1
Totals	<u>3</u>	<u>16</u>	<u>31</u>	<u>50</u>

## NATURE AND OCCURRENCE OF WORK INJURIES IN MONTANA

The following narratives and tables reflect data on the nature and occurrence of work injuries as reported to and compiled by the Division. The Division classifies and codes reported accidents in accordance with uniform federal guidelines. As of September 20, 1978, employers and insurance companies reported a total of 32,060 industrial accidents occurring in the fiscal year ending June 30, 1978.

### Nature of Injury

The nature of injury identifies the injury in terms of its principal physical characteristics.

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Burns	1,567	4.9
Open wounds	10,801	33.7
Strains	10,027	31.3
Fractures	2,485	7.8
Diseases	189	.6
Bruises	4,282	13.3
Multiple	583	1.8
Other	286	.9
Not classified	1,840	5.7
TOTAL	<u>32,060</u>	<u>100.0</u>

### Part of Body

The part of body identifies the part of the injured person's body directly affected by injury.

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Head, face and neck	1,847	5.8
Eyes	3,848	12.0
Body systems	265	.8
Trunk	2,795	8.7
Back and spine	6,114	19.0
Arms and wrists	2,654	8.3
Hands and fingers	7,563	23.6
Upper extremities	126	.4
Legs and ankles	4,042	12.6
Feet and toes	1,669	5.2
Lower extremities	58	.2
Body multiple	838	2.6
Not classified	241	.8
TOTAL	<u>32,060</u>	<u>100.0</u>

### Accident Type

The accident type identifies the event which directly resulted in the injury.

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Struck by object	11,178	34.9
Caught in, on, or between	2,805	8.7
Slips and falls	4,386	13.7
Motor vehicle	441	1.4
Strain or overexertion	7,408	23.1
Temperature extremes	839	2.6
Electrical current	84	.3
Inhalation	932	2.9
Rubbed or abraded	3,170	9.9
Combinations	3	.0
Not classified	814	2.5
TOTAL	<u>32,060</u>	<u>100.0</u>

### Source of Injury

The source of injury identifies the object, substance, exposure, or bodily motion which directly produced or inflicted the injury.

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Animals	1,459	4.5
Atmosphere	63	.2
Body motion	2,810	8.8
Boilers	98	.3
Boxes and barrels	2,085	6.5
Buildings	806	2.5
Chemicals	924	2.9
Conveyors	174	.5
Dirt masses	217	.7
Electrical apparatus	350	1.1
Flame and smoke	384	1.2
Food	266	.8
Furniture	800	2.5
Glass	618	1.9
Hand tools	3,417	10.7
Hoisting apparatus	368	1.1
Ladders	91	.3
Machines	1,205	3.8
Mechanical transmission	375	1.2
Metal items	4,047	12.6
Particles	1,599	5.0
Wood items	2,624	8.2
Textile	187	.6
Vehicles	2,379	7.4
Working surfaces	3,445	10.7
Miscellaneous	211	.7
Not classified	1,058	3.3
TOTAL	<u>32,060</u>	<u>100.0</u>

### Industry Group

These are the standard industrial classifications and provide an overview of experience by industry.

<u>Description</u>	<u>Number</u>	<u>Percent</u>
Agriculture	1,698	5.3
Mining	1,088	3.4
Construction	4,868	15.2
Manufacturing	7,531	23.5
Transportation	1,739	5.4
Wholesale trade	2,236	7.0
Retail trade	5,073	15.8
Finance	227	.7
Services	5,227	16.3
Public administration	2,187	6.8
Not classified	186	.6
<b>TOTAL</b>	<b><u>32,060</u></b>	<b><u>100.0</u></b>

### Work Injuries by Age and Sex

This table compares the work injuries for fiscal year 1977 by age group and sex. The mean age of injured male workers was in the 25-29 years age group, as compared to the 30-34 years age group for females.

<u>Age Group</u>	<u>Male</u>	<u>Female</u>	<u>Both</u>
Below 15	32	3	35
15 - 19	2,504	692	3,196
20 - 24	6,067	1,307	7,374
25 - 29	4,805	868	5,674
30 - 34	3,108	599	3,708
35 - 39	2,309	525	2,835
40 - 44	1,826	426	2,252
45 - 49	1,344	376	1,720
50 - 54	1,183	432	1,615
55 - 59	1,081	380	1,461
60 - 64	649	231	880
65 - 69	166	49	215
70 - 74	34	11	45
Over 75	19	2	21
Not classified	900	127	1,029
<b>TOTAL</b>	<b><u>26,027</u></b>	<b><u>6,028</u></b>	<b><u>32,060</u></b>

## OCCUPATIONAL SAFETY AND HEALTH ACT SURVEY

The annual Occupational Safety and Health Survey is conducted by the Statistics Section of the Division in cooperation with the Bureau of Labor Statistics of the U. S. Department of Labor. Reported data are based on employer maintained records. The results of the survey are used in measuring and evaluating the effectiveness of the Occupational Safety and Health Act in reducing work-related injuries and illnesses. Survey results are also used as a tool to direct education and inspection activity to industries which have the greatest need for safety improvement programs.

The survey, conducted on a calendar year basis, includes employers of all private industries except self-employed individuals and agricultural firms employing ten or less employees. Federal, state and local government is not included. The data for certain mining activities, railroads, and federal reserve banks was supplied directly by the Bureau of Labor Statistics.

Questionnaires were mailed to 3,204 employers for the 1977 survey and approximately 500 questionnaires are found to be unusable. The overall usable response rate for 1977 was 98.4 percent. The response rate for 1976 was 97.2 percent. The table below compares other 1977 mailing statistics with those of 1976.

